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ABSTRACT

This lesson plan was created to assist learners in adult basic and literacy education programs with the car-buying process. The goal for the lesson is to "effectively use the Internet to research necessary items before purchasing a car." These nine learning objectives are set: (1) determine what kind of car is needed; (2) determine how much one can afford; (3) decide the trade-in or resale value of a used car; (4) decide whether to purchase a new or used car; (5) decide whether to buy or lease a car; (6) find the best financing available; (7) locate information in order to negotiate the best deal on a car; (8) understand various terms and definitions used in the car industry; and (9) obtain a current copy of a credit report. The lesson plan is organized into the following eight activities: (1) Before Going Online; (2) Trading-in or Selling a Vehicle; (3) New Versus Used; (4) Locating the Best Interest Rates; (5) Insurance Rates via the Web; (6) Negotiating the Best Deal on a Vehicle; (7) Closing the Deal; and (8) Assessment and Evaluation. Applicable EFF (Equipped for the Future)content standards are: lead with understanding; convey ideas in writing; speak so others can understand; listen actively; observe critically; use math to solve problems and communicate; solve problems and make decisions; reflect and evaluate; learn through research and use information and communication technology. Suggestions for instruction are made. The addresses for many Web sites relevant to car buying are given, because use of those sites is important to the activities. (KC)

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ED 458 391

Ohio Literacy Resource Center

Technology Update
October 2001

Buying A Car: Using Online Tools

Kimberly McCoy

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OHIO LITERACY RESOURCE CENTER

Technology Update

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Buying A Car: Using On-line Tools

Kimberly McCoy

The Internet is one of the best tools for locating valuable resources for buying or selling a new or used vehicle. The purpose of this lesson plan is not to endorse any particular Web site, but to assist adult learners with the car buying process. Some of the concepts that will be addressed in this lesson plan include determining what kind of car is needed, how much one can afford, selling vs. trading a used car, and buying vs. leasing a new car. The charts referenced in the lesson plan can be downloaded from our Web site at http://literacy.kent.edu. Click on the Site Map link, located in the upper right hand corner, and scroll down to the Web based lesson plan section. All sites were available as of October 2001; nevertheless Internet Web sites often change and move, so instructors are urged to check sites before implementing plans with learners.

Audience: Learners in Adult Basic and Literacy Education Programs

Subject areas: Technology, mathematics, writing, and reading

Goals: To effectively use the Internet to research necessary items before purchasing a car

Instructional objectives: After the lesson, the learner will be able to:

- Determine what kind of car is needed
- Determine how much one can afford
- Decide the trade-in or resale value of a used car
- Decide whether to purchase a new or used car
- Decide whether to buy or lease a car
- Find the best financing available
- Locate information in order to negotiate the best deal on a car
- Understand various terms and definitions used in the car industry
- Obtain a current copy of their credit report

EFF Content Standards:

EFF Communication Skills

- Read with Understanding
- Convey ideas in writing
- Speak so others can understand
- Listen actively
- Observe critically

EFF Decision-Making Skills

- Use math to solve problems and communicate
- Solve problems and make decisions

EFF Lifelong Learning Skills

- Reflect and evaluate
- Learn through research
- Use information and communications technology

Instructional materials: Notebook/notepad for journaling, a computer with Internet connection and browser such as Internet Explorer or Netscape Navigator

- To download a free copy of **Netscape Communicator**, visit www.netscape.com.
- To download a free copy of **Microsoft Internet Explorer**, visit www.microsoft.com.

Suggestions: In the event you do not have access to a computer in your class or building, try going to a local library or community center that has Internet access. If you are having a hard time locating a center or library try The Digital Divide Network

located at www.digitaldividenetwork.org. This site allows users to search by Zip Code in order to locate a center or library in their area that provides free or low cost Internet access. Students who are not comfortable using the various on-line calculators in this lesson can also use a hand held one to achieve the same results.

Time required: Time will vary depending on the learner's skill level when using the Internet.

Prerequisites: The instructor should have some experience with the Internet.

For learners: Some basic Internet experience and basic computer skills are helpful:

- Basic computer skills include: mouse skills (clicking and dragging, double clicking, right clicking, left clicking) and scrolling (moving up and down the page).
- Basic Internet experience includes: opening a Web browser, typing a URL into the location bar, scrolling, and clicking links.

SUGGESTIONS FOR INSTRUCTION

Before starting the lesson plan, you might want to consider dividing the activities into various lessons/modules such as…

- Lessons/Modules One: **Activity I: Before going online**
  - **Determining how much one can afford**
  - **Determining the type of vehicle needed**
- Lessons/Modules Two: **Activity II: Trading vs. Selling**
- Lessons/Modules Three: **Activity III: New vs. Used**
  - **Buying a used car**
  - **Leasing a car**
  - **Buying a new car**
- Lessons/Modules Four: **Activity IV: Locating the best interest rate**
- Lessons/Modules Five: **Activity V: Insurance rates via the Web**
- Lessons/Modules Six: **Activity VI: Negotiating the best deal**
  - **Incentives & Rebates**
  - **Down payment**
- Lessons/Modules Seven: **Activity VII: Closing the deal**
  - **Extended warranties**
- Lessons/Modules Eight: **Activity VIII: Assessment/Evaluation**

If you decide to divide the activities into separate lessons/modules, have the learners write a brief summary of the items covered for each activity in their journal.

If you are working with a large group of learners, divide the group up into two different groups. To illustrate, one group could be responsible for conducting the research necessary for buying a used car, and another group could be responsible for conducting the research for buying a new car. After each group has completed their research, gather both groups together and have them compare and contrast the items located.

INSTRUCTIONAL PROCEDURES

Start by asking the learner if he/she presently owns a car. You could also conduct an informal survey and ask the learner if they are considering buying or leasing a car sometime in the near future.

ACTIVITY I: BEFORE GOING ONLINE

Before starting the adventure of going on-line, there are some issues that need to be addressed.

DETERMINING HOW MUCH ONE CAN AFFORD

Begin by asking learners to think about how much they can afford. Most financial planners suggest that the monthly expenses for a vehicle should not exceed 15% of monthly income. This figure includes the monthly payments, gas, insurance, and any other general maintenance fees such as oil changes and tune-ups. To illustrate, if your net pay (take-home pay after taxes) is $1,800.00 a month, then your car payment with insurance and gas should not exceed $270.00 per month. To get this figure multiple 15% time the monthly income figure, in this example it is $1,800.00 that equals to $270.00.

DETERMINING THE TYPE OF VEHICLE NEEDED

First, have the learner think about the type of car or truck he/she is going to need. Types of vehicles include economy, compact,

mid-size, sedan, luxury, pick-up truck, mini van, or sports utility vehicle (SUV). Ask him/her to consider if he/she is going to be transporting a large number of people on a regular basis (children, co-workers, family members, etc). If the answer is "no," then a mini-van or SUV may not be the best choice. However, if the learner is planning on carrying wood, cans of paint, or tools around for work or home improvement, then a pick-up truck or SUV may be an ideal investment. Have the learners write a list in their journal of the kinds of vehicles they are interested in. This will assist them with drawing a conclusion.

Second, ask the learner to think about the amount of driving he/she expects to do. Have them consider their commute to and from work and any long distance traveling for work or personal reasons. If the learner plans to do a lot of driving, purchasing a vehicle with good gas mileage would be a wise investment. The gas mileage is determined by looking at the miles per gallon (MPG) for the vehicle and is usually represented as two numbers separated by a slash; the first number reflects the average miles per gallon used for city (slower speeds, more stops) and the second for highway driving (higher speeds, fewer stops). For example, if a vehicle's MPG is 31/38 this means you can average 31 miles in the city and 38 miles on the highway per gallon of gas. Remember, the higher the numbers, the better the gas mileage. Using their journal, have the learners list two to four vehicles they are considering. Next, have the learner check the MPG for each vehicle by visiting both Kelley's Blue Book at www.kbb.com and Edmunds at www.edmunds.com.

Third, have the learner create two columns and label one "Needs" and the other "Wants." This will help the learner determine the type of vehicle that is needed. Emphasize to the learner that their wants may not fit into their current budget.

Examples of Needs	Examples of Wants
• Good gas mileage	• Red car with black interior
• 4-door	• 6-disc CD changer with premium sound
• Plenty of leg room	• Sun or moon roof
• Large trunk space	• Spoiler
• Air conditioning	• Fancy Rims
• Anti-lock brakes	• Cruise control
• Automatic	• Leather seats
• Front-wheel, rear-wheel, or all-wheel drive	• Power windows and locks

ACTIVITY II: TRADING-IN OR SELLING A VEHICLE

(If the learner doesn't have a vehicle to trade-in or sell, proceed to Activity III.)

Trading Vs. Selling

Whether the learners decides to trade-in or sell his/her car, it is always the responsibility of the owner to have the vehicle in good working condition and appearance. In the event the learner is not sure if he/she would like to sell or trade their vehicle, use the following quote from Kelley's Blue Book as a discussion piece.

> ***"Is it better to sell it or trade it?"***
> ***"When you trade a car in, the dealer still has to absorb the cost of making the vehicle ready for resale, reconditioning, advertising, sales commissions, financing and insuring his inventory, and standing behind the vehicle for any mechanical or safety problems. You may get more for your car if you sell it yourself, but be careful not to underestimate the value of your time, the aggravation of getting the vehicle into a suitable resale condition, and the liability of making appointments and giving test drives" (Kelley's Blue Book, 2000).***

Value of Current Vehicle

Whether trading or selling a car, the learner needs to find out how much his car is worth. It is very important that the learner is aware of the value of the car before trying to sell or trade it in. Both Kelley's Blue Book at www.kbb.com and Edmunds at www.edmunds.com provide trade-in and market values for numerous makes and models. The **trade-in value** is what the seller might

expect to be offered at the dealership when purchasing another car. The **market value** is what the seller should use if they decide to sell the vehicle themselves. After the learner has visited both sites, he should compare search results. *(Please note: the values from both sites should be used as a guide. Prices may vary per vehicle due to mileage and condition of the vehicle.)*

The learner can determine how much their used car is worth by following the steps listed below.

Kelley's Blue Book

- Go to www.kbb.com
- Click on the link that reads: **USED CAR VALUES**
- Click on the link that reads: **TRADE-IN**
- Select the **year of the vehicle** (1981-2001)
- Select the **make** (*Ford, General Motors, Saturn, Toyota, etc.*)
- Select **model and body** *(Escort 4dr, Tempo 2dr,Probe GT, etc.)*
- Enter the **options, condition of the vehicle, current mileage,** and **ZIP Code**
- Click on the **Submit** button when finished

If additional information about the condition of the vehicle is needed, click the ***More*** *link.*

Edmunds

- Go to www.edmunds.com
- Click on the **USED prices and info** link
- Click on the **manufacturer** of the car (*Ford, General Motors, Saturn, Toyota, etc.*)
- Select the **year** (1990-2000)
- Select the **model and body style** *(Escort 4dr, Tempo 2dr, Probe GT, etc.)*
- Locate and click on **Edmunds.com True Market Value Pricing** (This will give you an estimate of the trade-in and market value of the car.)
- If you wish to have your vehicle appraised, click on the Appraise This Vehicle button and complete Steps 1-5.

SELLING THE VEHICLE

The learner has the option of selling their car on-line or using one of the many on-line tools to locate a dealership in their area.

- Go to www.kbb.com
- Click on the **Sell Your Car** link on the left-hand side of the screen.
- Read the descriptions listed to determine which option best suites the learner.

Autoweb.com allows the user to list a vehicle in its classified ads for $19.95 for 30 days. This service also lists the vehicle with Yahoo.

Vehix.com allows the user to add a vehicle to the database for a fee of $19.95 for 30 days. This service also notifies nearby dealers and lists the vehicle with Yahoo.

Stoneage.com charges a $19.95 fee to display information about the vehicle until it is sold. This resource also lists the car with various Internet sites, including Yahoo classifieds, Ameritech.yellowpages.net, Usedcars.com, and classified net work ads.

Dealer Search allows you to search for a dealership near you. Enter your address and click the Search button. You can also specify if you want to locate all makes, new car dealers who also sell used cars, independent used car dealers, or you can select a particular model. Just use the drop-down arrow located on the top of the screen to select the option.

Dealer Web Sites is a list of all dealerships that have their own Web site. Click on "Dealer Web Sites" and select your particular state.

ACTIVITY III: NEW VS. USED

There are pro's and con's of purchasing a new versus used vehicle. There are advantages and disadvantages to both, but the final decision is the buyer's. Have the learner look over the chart on the following page and then discuss their thoughts regarding purchasing a new vs. used vehicle.

New Car		Used Car	
Advantages	Disadvantages	Advantages	Disadvantages
• Full factory warranty	• Higher monthly payments	• Lower price	• May have little or no miles left on factory warranty
• First owner	• The owner takes the hit for depreciation **Depreciation** (lessen in value)	• Someone else has taken the hit for depreciation	• May spend extra money on an extended warranty
• Lower finance rate	• Higher insurance rates	• Cheaper insurance	• Parts are older
• Ownership and equity in the vehicle	• Usually requires a down payment	• Pay less for the previous year's car with same or similar features	• Concern about previous owner's maintenance habits
• No mileage limits			• Higher finance rate

BUYING A USED CAR

If the learner decides to purchase a used vehicle, have them visit Autovantage at www.autovantage.com, Kelley's Blue Book at www.kbb.com, and Edmunds located at www.edmunds.com. All three sites provide critical information about many different types of used vehicles. Knowing this information will assist the learner with negotiations. The vehicle specifications, such as the number of cylinders, automatic or manual transmission, current mileage, and options are needed.

Autovantage

- Go to **www.autovantage.com**
- Locate the **Car buying service header** on the left-hand side
- Use the drop-down arrow and select **used cars**
- Click the **view specs** button
- Select the **year** (1990-95) and **make** (Ford, Toyota, Pontiac)
- Click **Go**
- Select **Model**
- The car report will appear on the following page

Edmunds

- Go to **www.edmunds.com**
- Click on the **Used Prices & Info** link
- Select the **manufacturer** (*Ford, General Motors, Saturn, Toyota, etc.*)
- Select a **year** *(1990 - 2001)*
- Select **model and body style** *(Escort 4dr, Probe GT, Tempo 2dr)*
- Click on **Edmunds.com True Market Value Pricing** (This will give the estimated trade-in and market values for a car in good condition.)
- If you wish to have your vehicle appraised, click on the **Appraise This Vehicle** button and complete steps 1-5.

Kelley's Blue Book

- Go to **www.kbb.com**
- Click on **used car values**
- Click on **retail**
- Select a **year (1981 - 2001)**
- Click on **make** (*Ford, General Motors, Saturn, Toyota, etc.)*
- Select **options and characteristics** of the vehicle
- Select the **Get Pricing Report** button after you have completed selecting the characteristics of the vehicle

Lemon Check

Unfortunately, many used vehicles for sale have unseen problems that add up to additional cost not included in the purchase price. These kinds of vehicles are best known as Lemons. It is the buyer's responsibility to learn as much as they can, prior to buying a used vehicle. Have the learner go to **Carfax** at www.carfax.com. The Carfax service allows users to search for the title and history on a particular vehicle. This is determined by entering the Vehicle Identification Number (VIN). In the event the learner doesn't know the vehicle ID number, they can search using their area code to locate cars in their area that are considered problem vehicles.

Carfax

If the VIN is known:

- Go to www.carfax.com
- Click on the **Free Record check** link
- Enter your **ZIP Code** and **VIN**
- Click the button **Process Lemon Check Now**

If the VIN is not known:

- Go to www.carfax.com
- Click on the **Find a car** link
- Select **make** (*Ford, General Motors, Saturn, Toyota, etc.*), enter **ZIP code**
- Click **Search**
- Select **model** (Escort, Probe, Mustang)
- Select **distance** (within 10 - 500 miles)
- Select **year**
- Click **search**

Users may also order two months of unlimited reports from Carfax for $19.95. This service allows you to search for as many vehicles as needed. The report includes information about odometer fraud, flood damage, major accidents, salvaged, totaled vehicles and multiple owners. Users can also order a single vehicle history report for $14.95 or place an order over the phone for $29.50 to have the report faxed to them.

SOMETHING EXTRA

Assign a state to each learner in the group. Next, have them go to Lemon Law America site available at www.lemonlawamerica.com and select the state assigned to them in order to research the lemon law for that particular state. Finally, have the learners write a brief summary on the lemon law for their assigned state and regroup to discuss each state's lemon law.

LEASING A CAR

Trying to decide whether to lease or buy a vehicle is a major decision. The learner's needs and financial situation play a major part in the decision. Listed below is a chart with the disadvantages and advantages of both. Have the learner review the chart and discuss their thoughts.

Leasing Advantages	Leasing Disadvantages
• Lower monthly payments	• Will be charged for any miles over the contract agreement which is usually 12,000-15,000 per year
• Can trade in after two to three years	• At the end of the contract there is nothing to show for it
• Have a new vehicle for lower cost	• Might have to purchase GAP insurance in addition to full coverage
• Warranty covers the entire car for duration of the lease	• Required to have the highest coverage for auto insurance
• A large down payment is not required	• Once the lease ends, will have to make a major decision to get another lease or purchase a new car
	• You are responsible for wear and tear on the vehicle

After reviewing the chart, use this point from the "Buy or Lease" article from the Money site as a discussion piece:

"So which is right for you? If you typically trade for a new car every four years or less, want to avoid the loan down payment of 10% to 20%, drive close to but not more than the 15,000 miles a year allowed in most leases, and typically keep your vehicle in good condition to avoid end-of-lease penalties, you might be happy leasing. Even so, before you opt for a lease, keep in mind that there is a reason why those low payments look so attractive: instead of paying for the entire car, you're only paying the estimated depreciation

over the time you are leasing it. So to get a really good lease deal, you need to look further than just the payments. You need to understand how leasing works, do your homework and negotiate as hard as if you were buying the car" (Money 101:Buying a Car, 2000).

In addition to the points addressed in the chart, there are plenty of other issues the learner needs to consider before signing a lease. For additional information on leasing vs. buying, please visit the following sites:

Money

If you want the learners to read the entire article on buy or lease:

- Go to **www.money.cnn.com/pf/101**
- Click on **Lesson 18: Buying a Car**
- Select the **Buy or Lease** link

Edmunds

Have the learner download the article entitled "Edmunds Do It Yourself Guide to Leasing." This article explains in great detail the entire leasing process.

- Go to **www.edmunds.com**
- Click on **Advice** link, located on the left-hand side
- Scroll down and select **Leasing information and advice**

Leasesource

Leasesource has a 7-question quiz that will also assist the learner with determining if they are a good leasing candidate.

- Go to **www.leasesource.com**
- Click on **Lease Workshop**, located on the left-hand side
- Scroll down and click on **Lease Locator**

Bankrate

- Go to **www.bankrate.com**
- On the left-hand side of the screen, click on **Auto Loans**
- Scroll down and locate **Auto Loan Basics**
- Select the **Leasing Your Auto** link

After the learner has visited one or more of the following sites, have them write a brief summary or create a list of items to consider before leasing a vehicle in their journal.

BUYING A NEW CAR

Before the learners go to the car dealership, have them create a list in their journal of each vehicle they are considering. Next, have them conduct research by going online to Autovantage at www.autovantage.com, Kelley's Blue Book at www.kbb.com, and Edmunds located at www.edmunds.com and search for the various items listed below. Once the learner has retrieved the information, have them compare their findings. Make sure the learner searches for vehicles that have the options they need and will agree with their budget.

- Invoice price or Dealer Invoice Price
- Gas mileage (MPG)
- Insurance rates (if available)
- Cost per option
- Safety features
- Warranty information
- MSRP (Manufacturer's Suggested Retail Price) or Window Sticker
- Braking system
- Standard equipment
- Number of cylinders

Autovantage

- Go to **www.autovantage.com**
- Locate the **Car Buying Service** header
- Use the drop down arrow and select **New Cars**
- Click **View Specs**
- Choose the **Year** (2000 and 2001) and **Make** (Toyota, Ford, Saturn, etc.)
- Locate **Model**
- The full car report should be listed on the next page

Edmunds

- Go to **www.edmunds.com**

- Click on **New vehicle prices and info** link
- Select the **Manufacturer** (Toyota, Ford, Saturn, etc.)
- Scroll down and select **Model** and **Body Style**
- The report should be displayed at the bottom of the page

Kelly's Blue Book

- Go to **www.kbb.com**
- Click on the **New car pricing** link
- Enter your **ZIP Code** and click continue
- Select a **Category** (all cars, luxury cars, sport utility, etc.)
- Select the **Make** (Toyota, Ford, Saturn, etc.)
- Select the **Model**
- The report should be displayed at the bottom of the screen

If the learner is interested in several models, have them visit Intellichoice. This site will compare four different makes and models. The user can compare pricing, specifications, performance, safety and other features. When the learner finishes selecting all of the makes and models click the compare button to view the information. You can also order the full report for $4.95 *(Instructions are listed below.)*

Intellichoice

- Go to **www.intellichoice.com**
- Locate the **Shopping and buying tools** header
- Click on the link titled **Compare side-by-side**
- Select the **Year** *(Please note: each time you select an option the screen will*
- *refresh.)*
- Select **Manufacturer** (Toyota, Ford, Saturn)
- Select **Model**
- Select **Trim level**

ACTIVITY IV: LOCATING THE BEST INTEREST RATES

Banks and other financial institutions charge borrowers interest for the privilege of using their money to make a purchase. Locating the best interest rates will save the learner money over the life of the loan, which is also known as the payback period. Dealerships often have accounts with several different banking institutions, but it is always a good idea to get pre-approved before going to the dealership. Once the learner has chosen a particular vehicle for purchase, they may visit their local bank or credit union and complete a pre-purchase loan application. There are also several on-line resources that allow individuals to apply for auto loans. These sites also list the current rates and fees that banks and other financial institutions are charging borrowers with good credit rating. Listed below are instructions on how to locate the information via the Web.

The Lending Tree

- Go to **Lendingtree.com**
- Click on **Auto Loan,** located on the right-hand side
- Follow the instructions for completing the form

PeopleFirst

- Go to **peoplefirst.com**
- Click on **Check our Low Rates and Simple Terms**
- Click **View current rates**
- **Or**
- Go to **peoplefirst.com**
- Click on **Apply On-Line Today**
- **Read the basic requirements and continue with the loan application process**

E-loan

- Go to **www.eloan.com**
- You may view their current rates on the right-hand side of the screen
- **Or**
- Go to **www.eloan.com**

- Click on **Auto Financing** to view current rates based on your credit rating

Bankrate

- Go to www.bankrate.com
- On the left-hand side, click on **Auto Loans**
- Select your **State**
- Compare low-rate financing

HSH Associates, Financial Publishers

- Go to www.hsh.com
- Locate and select the link titled **Consumer Loans**
- Click on **Auto Loan Rates**
- Select the link titled **Auto Loans** from the HSH database
- Scroll down to view "Competitive used auto loan sampler"
- *(This service provides an overview of the average rates and best rates for a*
- *particular area.)*

INTEREST RATES

Interest rates tend to vary depending on a number of factors. These factors include, a borrower's credit rating, where he/she resides, and the term of the loan (number of years). It is wise for learners to obtain a copy of their credit report. The fee is generally around $8.00 - $9.00 and the report can be ordered by contacting each company on the Web, or by calling them directly. If the learner has applied for any type of credit card or loan within the last 60 - 90 days and has been declined because of a negative credit rating, he/she is entitled to a free copy of the credit report. Most companies will inform the consumer, which credit agency they used to obtain the credit history and will provide contact information. See below for all credit agencies:

- **Experian:** 1-888-EXPERIAN or www.experian.com
- **Trans Union:** 1-800-888-4213 or www.transunion.com
- **Equifax:** 1-800-685-1111 or www.equifax.com

The learner can also request a single report that contains information from all three credit bureaus by contacting CreditReporting.com at www.creditreporting.com or 1-888-762-4001. The fee for this service is $29.95 plus shipping and handling.

Banks and other financial institutions usually give borrowers with good credit ratings the best interest rates. If the learner has questions or concerns about their credit report, have them contact the Fannie Mae Foundation. They offer a free credit guide titled "Knowing and Understanding your Credit" that can be ordered on-line at www.creditguide.org or via phone at 1-800-599-5300. This guide is tailored to people who are interested in purchasing a home, but the information in the guide is practical and useful for anyone who has questions or concerns about their credit report. The guide provides information on understanding credit, how to establish good credit, and how to repair bad credit.

Financial companies also give lower interest rates for shorter loan terms, which means the buyer pays less in interest charges, although the monthly payments are higher. To illustrate, if the buyer decides to pay for a car over a 60-month period (5 years) the monthly payments will be lower but the buyer pays more in interest. However, if the buyer decides to pay for a car over 48 months (4-year period) the monthly payments will be a little higher but the buyer pays less in interest. See chart for example.

Interest Rate Chart

Term of loan/ Number of years	Interest rate	Loan amount	Monthly payment	Interest paid	Total amount paid to bank
36 months/3 years	7.0%	$17,529.00	$542.00	$1,942.00	$19,471.00
48 months/4 years	7.5%	$17,529.00	$425.00	$2,797.00	$20,326.00
60 months/5 years	8.0%	$17,529.00	$356.00	$3,779.00	$21,308.00

Calculations were computed using an on-line calculator at FinanCenter.com located at http://www.financenter.com/corporate/.

Monthly payments and total amount paid to the bank or financial institution can also be calculated at DirectBanking.com Interactive Calculator available at www.directbanking.com/cgi-bin/loan.

As stated previously, the buyer's credit rating will play a major part in determining the rate of interest they will be charged. For example, if the buyer doesn't have a good credit history or doesn't have any credit history at all, he will be charged a higher interest rate compared to someone with excellent credit. For instance, if the national average interest rate is 8% for a 60-month (5 years) car loan, someone who doesn't have a good credit history or doesn't have a credit history could be charged 13% for the same vehicle and loan term. In addition to paying more in interest, the monthly payments are going to be higher, which means the borrower pays more in interest and more for the vehicle. See chart for illustration:

Term of loan/ Number of years	Interest rate	Loan amount	Monthly payment	Interest paid	Total amount paid to bank
36 months/3 years	13%	$17,529.00	$592.00	$3,725.00	$21,254.00
48 months/4 years	14%	$17,529.00	$480.00	$5,457.00	$22,986.00
60 months/5 years	15%	$17,529.00	$418.00	$7,487.00	$25,016.00

SOMETHING EXTRA: CALCULATING THE AMOUNT OF INTEREST PAID

If the learner is interested in learning how the interest rate and principal amounts affect the amount they will pay in finance charges, have them go to our Web site at literacy.kent.edu. Located on the Site Map page, under the **Web-Based Lesson plan** section; there are three Excel spreadsheets available for downloading. Each spreadsheet represents the most common car loan terms: 36 months (3 years), 48 months (4 years) and 60 months (5 years). These are good activities for calculating monthly payments as well as the amount of interest charged for the loan. Before starting this activity, the learner needs to know the amount of the loan (principal amount) and the current interest rate. Some prior knowledge of Excel would be helpful, but isn't required. Instructions for manipulating the numbers and formulas are on the site as well.

If the learner isn't comfortable with using Excel, the same information can be obtained by using the on-line calculators at FinanCenter.com located at http://www.financenter.com/corporate/ and DirectBanking.com Interactive Calculator available at www.directbanking.com/cgi-bin/loan.

ACTIVITY V: INSURANCE RATES VIA THE WEB

Insweb, at www.insweb.com, is not an insurance company, but they do bring consumers and insurance companies together. Insweb allows the user to receive several insurance quotes from different insurance companies. The learner has to fill out an on-line quote form that will take about 15 to 20 minutes to complete. Some of the questions deal with their personal profile, type of insurance, and the state in which the learner resides.

Remember your insurance fees should be included in your monthly vehicle fees.

SAFETY FEATURES

Safety features and theft rates play a significant role in automobile prices. If the learner is concerned about these issues have them visit the National Highway Traffic Safety Administration at www.nhtsa.dot.gov. The learner can view certain information about a vehicle such as safety history, crash information, vehicle and equipment information as well as problems and issues.

ACTIVITY VI: NEGOTIATING THE BEST DEAL ON A VEHICLE

A good negotiator has to be knowledgeable of the terms and techniques used in the automobile industry. The first step is knowing and understanding what the **MSRP** and the **dealer's prices** are. The **MSRP** stands for the **manufacturers suggested retail price**, also known as the **sticker price**. The dealer would like consumers to pay the **MSRP** for a particular vehicle. The **invoice price** or **dealer's price** is what the dealer actually paid for the vehicle from the manufacture. The goal of the learner is to pay no more than 3%-5% above the **invoice price** for the vehicle. The 3-5% is considered a fair amount of profit for the dealer. If the learner ends up paying the **MSRP**, which is usually, 10-15% over the **invoice price**, then they have just made the car dealer extremely happy. The only reason the buyer should ever consider paying more than 5% for a vehicle is if the car is considered a popular model. To illustrate, if a dealer pays $15,751.00 for a vehicle the **MSRP** would be around $17,579.00. The learner should try to negotiate a figure around 3%-5% over what the dealer paid. See chart for detailed illustration:

MSRP (sticker price)	Invoice price (dealer Price)	Percent amount	Profit amount (for dealer)	Target negotiation	Amount saved
$17,579.00	$15,751.00	X 3%	$472.53 =	$16,223.53	$1,355.47
$17,579.00	$15,751.00	X 4%	$630.04 =	$16,381.04	$1,197.96
$17,579.00	$15,751.00	X 5%	$787.55 =	$16,538.55	$1.040.45

In the first example with 3% profit for the dealer, the buyer saved $1,355.47. In the second example with 4% profit for the dealer, the shopper saved $1,197.96. In the third example with 5% profit for the dealer, the shopper saved $1,040.45. These figures are determined by subtracting the **target negotiation price** from the **MSRP** which is $17,579.00 in this example (See chart for detailed illustration). Remember the invoice price can be located by visiting one or all three of the sites listed below the chart.

Examples	Invoice price (dealer price)	MSRP (sticker price)	Profit amount (for dealer)	Buyer saved
1.) 3% profit	$15,751.00	$17,579.00	$472.53 =	$1,355.47
2.) 4% profit	$15,751.00	$17,579.00	$630.04 =	$1,197.96
3.) 5% profit	$15,751.00	$17,579.00	$787.55 =	$1,040.45

- Autovantage - www.autovantage.com
- Edmunds - www.edmunds.com
- Kelly's Blue Book - www.kbb.com

If additional information is needed on how to negotiate please visit the following sites.

Money

- Go to www.money.com/money/101
- Click on Lesson 18: **Buying a car**
- Click the link titled: **Negotiating the best deal** located on the left-hand side

Edmunds

- Go to www.edmunds.com
- Click on the **Advice** link
- Locate and select: Edmunds.com **Car Buying Tutorial**
- Click on Step 7: **Beginning Negotiations**

INCENTIVES AND REBATES

Incentives and rebates are techniques used to encourage consumers to purchase a particular vehicle. Manufactures use these techniques to decrease inventory or increase sales of a particular vehicle. Incentives and rebates are offered in the form of cash back or low financing rates. If both are offered for the same vehicle the consumer usually has to choose one or the other. Rebates are made available to the consumer and incentives are made available to the dealership. Often dealers will not be aware of a dealer incentive or may not pass that information along to the consumer. The learner should make a point to speak to the sales manager prior to signing any documentation and ask if any incentives are available for the particular vehicle they are going to purchase.

In addition to speaking to the sales manager, the learner should learn as much as possible about the different incentives or rebates that may be available for the vehicle they are considering by visiting the sites below.

- Autobytel - www.autobytel.com
- Autogiant - www.autogiant.com
- Edmunds - www.edmunds.com
- Intellichoice - www.intellichoice.com

DOWN PAYMENT

After the negotiation process the buyer will need to sign various papers regarding the loan and give the dealership the down payment. The down payment amount generally ranges from **10%-20%** of the purchase price. Usually, the larger the down payment, the lower the monthly payments will be. For instance, if a vehicle's price after negotiation was **$16,381.04**, then **10%** is **$1,638.14**. The more the borrower can put down on the vehicle the better. The balance is what the bank or financial institution will charge interest on.

Loan term (number of years)	Interest rates	Negotiation price	Down payment amount	Amount financed	Finance charge	Monthly payment	Total of payments
36 months/ 3 years	7.0%	$16,381.04	$2,000.00	$14,381.04	$1,604.61	$444.04	$15,985.65
48 months/ 4 years	7.5%	$16,381.04	$2,000.00	$14,381.04	$2,309.36	$347.72	$16,690.40
60 months/ 5 years	8.0%	$16,381.04	$2,000.00	$14,381.04	$3,109.27	$292.00	$17,490.31

ACTIVITY VII: CLOSING THE DEAL

Many dealerships will try to sell consumers different options that may not be necessary. Some of these options include rust-proofing, vinyl protection for seats, extended warranties, or alarm systems. The rust proofing and vinyl protection may not be necessary as new cars are generally manufactured with some protection from rust. Vinyl protection packages from the dealerships are a good way to clean and protect the car's interior, but may be obtained elsewhere for lower cost. The learner has to decide if there is a need for an alarm system or an extended warranty. Remember if these "extra" items are not included in the negotiation price, they will increase the monthly payments.

If more information is needed on closing the deal, please visit these sites.

Money

- Go to www.money.com/money/101
- Click on Lesson 18: **Buying a car**
- Select the link titled: **Closing the deal**

Edmunds

- Go to www.edmunds.com
- Click on **Advice** located on the left-hand side
- Under New Car Information locate and select Edmunds.com: **Car buying tutorial**
- Click on Step 8: **Closing the deal in the F & I Office**

Extended Warranties

Extended warranties are available for both new and used vehicles. New vehicles usually come with a standard 3-year or 36,000-mile bumper-to-bumper warranty. Used vehicle warranties will vary depending on where the learner decides to purchase the vehicle. Nevertheless, before purchasing the vehicle the learner should consider whether or not an extended warranty is needed and can be afforded. If the learner is interested in purchasing an extended warranty have them visit the following sites:

Auto Warranty Direct USA
Auto Warranty offers on-line quotes and has provided warranty service since 1980.
www.autodirectusa.com

Extended Warranty Quote
Part of the Better Business Bureau, this site offers affordable automobile warranty on-line.
www.warrantygold.com

Auto Warranties
Auto Warranties offers a free warranty quote
www.autoconnection.com

Certified Car Care Extended Warranties
Certified Car Care is part of the Better Business Bureau Program and offers instant on-line quotes.

www.certifiedcarcare.com

ACTIVITY VIII: ASSESSMENT/EVALUATION

Ask the learner to share their thoughts and concerns about purchasing a car by writing a brief essay in their journal and sharing verbally with others in the class. Start with asking what they have learned from the lesson. Some other issues to bring up should include purchasing a new or used car, trading or selling a used car, and buying or leasing a new car. Even if the learner doesn't plan on purchasing a car anytime soon, they will have a general idea of the process and understand the terms and vocabulary that are associated with purchasing a car. In addition to the items listed above, the learner will have an idea of how much work is involved, and have a better understanding of the financial responsibility of purchasing a car.

FYI: ON-LINE BROKERS AND REFERRAL SITES

Currently, there are plenty of online sites which can help consumers with the car-buying process. These services are known as direct sellers, broker's sites, or referral sites. These buying services charge anywhere from $150 to $400 to find the best deals for cars near your home. Some people would rather pay the fee instead of negotiating themselves; this decision is up to the learner. Some of these services refer the consumer to a network of dealers and others can arrange to have the car delivered to your door. Some companies require an up-front fee, while others allow the consumer to do some window-shopping.

Direct sellers include Carsdirect.com, Autotrader.com, and Greenlight.com. Sites such as FordDirect.com and GMBuyPower.com are good places to visit in order to build the specific type of vehicle the learner might be interested in prior to visiting a dealership. However, these sites don't advertise the invoice prices of vehicles and they don't make known any dealer incentives that may go with a particular vehicle.

Some other on-line brokers and referral sites:

- **Autobytel**
  www.autobytel.com
  Offers a free, no-haggle, no hassle purchasing program service.

- **CarQ**
  www.carq.com
  Depending on the service, prices range from $175.00 to $375.

- **Autovantage**
  www.autovantage.com
  Doesn't charge up front fees.

- **Greenlight**
  www.greenlight.com
  Offers a no haggle, no negotiating service for a $25.00 deposit

- **Carpoint**
  carpoint.msn.com
  Offers a free new car buying service

- **Autoadvisor**
  www.autoadvisor.com
  Prices range from $119 to $200 depending on the service. Services include locating a vehicle and negotiating a price for buying or leasing.

- **Car Smart**
  www.carsmart.com
  Offers a free express quote for new cars

For a complete review on the best car-buying services on the Web, please take a look at both of these resources.

PC Magazine – "Wheels on the Web" article

- Go to www.zdnet.com/products/stories/reviews/0,4161,2444617,00.html

Money

- Go to www.money.cnn.com/pf/101
- Click on Lesson 18: **Buying a car**
- Select the link titled **Buying on the Web**

ADDITIONAL RESOURCES AND PLACES OF INTEREST

Carwizard
www.carwizard.com
At Carwizard you can look up leasing information, receive a free car quote, free credit report and free insurance quote.

CarClicks
www.carclicks.com
Contains a comprehensive car buying guide that has price quotes, insurance tips, and warranty information, financing resources and additional car buying resources.

Carmax
carmax.com
Offers a no haggles or hassle used car super store on-line.

Car buying tips
carbuyingtips.com
Valuable resources that teach the user how to negotiate for the best loan deals and car prices via the Web. This site also contains a free loan and lease spreadsheet for calculating your figures before you walk into the dealership. This site also has a tip of the month and things potential car buyers should look out for.

Stoneage.com
www.stoneage.com
Services include insurance and warranty resources, parts and services information, and financing for used and new car items.

Auto Trader
www.autoconnect.com
Auto Trader is one of the biggest used car resources on-line. This site provides insurance, warranty, and finance resources and other information.

Car Direct
www.carsdirect.com
Offers a free car buying service. The service allows user to locate a dealership near their home.

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Enhancing Adult Literacy in Ohio

The Ohio Literacy Resource Center supports quality in adult education by providing support, training and resources for people who work in the field of Adult Basic and Literacy Education in Ohio.

Services Provided:

- Professional development activities for adult literacy practitioners
- Annual Leadership Institutes to develop leadership skills of program directors and coordinators
- Maintenance of a comprehensive adult literacy web site
- Distribution of adult literacy materials to literacy practitioners

Ohio Literacy Resource Center

Ohio Literacy Resource Center
Kent State University
Research 1 - 1100 Summit St.
PO Box 5190, Kent, OH 44242-0001
Phone: (800) 765-2897 or (330) 672-2007
FAX: (330) 672-4841 Email address: olrc@literacy.kent.edu
Web site: http://literacy.kent.edu